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Pick, if you want, a financial planner who is successful and famous—but not one like Houston's Venita VanCaspel, who is successful at the expense of clients.

Inviting the cat to take care of the canaries

By Gretchen Morgenson

VENITA VANCASPEL, 68, is about as famous as a financial planner an be, and she has an almost saintly reputation to go with the fame. Her six financial books have sold more than 1 million copies combined; she has hosted both a PBS network series called The Moneymakers and a Houston-area weekly program called Successful Texans.

VanCaspel's impressive salesmanship earned her an award as Outstanding Woman of the Year from the YWCA in 1981. Her investment advisory books are published by Simon &. Schuster. Two thousand subscribers take VanCaspel's monthly Money Dynamics Letter. VanCaspel gushes: "I get letters from people all over telling me what a difference my books have made in their lives."

Does a reporter or an editor want a snappy quote to liven a dull article on financial planning? They usually flip their card files to "V" for VanCaspel. Known in the trade as "The First Lady of Financial Planning," she says her greatest accomplishment is helping others. Here's the way she talks: "I think that I have helped a lot of widows and orphans."

And that's the way the media portrays her. But there is another side to Venita VanCaspel that the media neglects. This overachiever, who contemplated a life in the church before becoming a financial planner, has had so many lawsuits and complaints brought against her and her firm that regulators say she is almost in a class by herself.

VanCaspel has been named a defendant in 36 lawsuits or arbitration cases brought in the past ten years by clients. Complaints against her include fraud, breach of fiduciary duty and conspiracy, and run to 22 pages. Of these cases, 2 were dismissed in VanCaspel's favor and most were settled with VanCaspel paying sums to the plaintiffs; a few are still in litigation.

On four occasions VanCaspel was censured by the National Association of Securities Dealers, and paid fines totaling $28,000. VanCaspel argues that the cases with fines and censures most often involved bookkeeping infractions, such as failing to promptly transmit funds to an escrow account. Mere technicalities, she says. As for the lawsuits, one has to take the unproved allegations of an unhappy customer with some reservation.

Financial planner and author Venita VanCaspel
Did she love tax shelters more than her clients?

But the allegations against VanCaspel are not trivial disputes. Since 1984 investors suing VanCaspel allege that following the advice of the "First Lady" cost them more than $4.5 million. Most of the complaints center on her promotion of tax shelters; one involves the sale of heavily loaded mutual funds.

VanCaspel claims many of the disgruntled investors weren't even her clients—that they invested with brokers she employed—and therefore their problems should not be laid at

her door. But as principal of VanCaspel & Co. she was certainly responsible for proper oversight of her employees.

That she finds the business highly profitable is apparent from the way she lives. VanCaspel dresses lavishly—she has sometimes shopped by having stores send clothes to be modeled in her office—and lives in a $700,000 home in the swank Houston suburb of Memorial, with her second husband, Lyttleton Harris, a property management executive and managing editor of the VanCaspel newsletter. That she is so obviously successful is, of course, a key part of her appeal. Success is the theme of her dare-to-be rich seminars for prospective clients. "Money won't bring you happiness," she says. "But neither will poverty."

VanCaspel claims to have known poverty all too well. Biographical material distributed to prospective clients tells how, as a little girl in Sweetwater, Okla., she picked cotton, black-eyed peas and watermelons to help support her family.

She worked her way through college, graduating with a degree in economics from the University —— of Colorado. Today VanCaspel sits on an economic advisory committee at the university.

VanCaspel really came into her own in the mid-1970s, selling oil and gas income partnerships sponsored by an outfit called Petro-Search. VanCaspel & Co. in Houston was one of Petro-Search's top sellers.

In those days Petro-Search offered predominantly nonleveraged oil deals rather than the more risky leveraged programs. Leverage, VanCaspel said in her 1975 book Money Dynamics, was not for her: "Nonleveraged income programs give you greater safety.... I have never recommended the leveraged partnership to my clients."

But several years later Petro-Search was bought out by another company, which discontinued partnership sales. VanCaspel changed her mind about leverage and began selling leveraged partnerships through another syndicator called Petro-Lewis, ultimately loading her clients' accounts with them.

Without explaining her about-face, VanCaspel wrote in her 1983 book The Power of Money Dynamics: "This type of [leveraged] financing can produce favorable results."

Favorable? In 1984 Petro-Lewis limited partners sued the company after it cut its monthly payments and failed to make good on its promise to buy back partnerships. They eventually agreed to cut their losses by exchanging their partnership units for shares in a publicly traded royalty trust.

Petro-Lewis was not the only piece of VanCaspel merchandise to go bad. Dozens of public and private (that is, not SEC-registered) partnerships sold by VanCaspel in the 1980s are now practically worthless: deals in real estate, oil and gas, macadamia nut farms, windmills, and cable television franchises.

How carefully did VanCaspel vet these deals before putting clients into them? Not very, her critics claim. Lawyers suing her are using her apparent lack of circumspection ("due diligence," as the securities lawyers call it) as a basis for their claims. In one pending case involving an oil and gas deal sponsored by Cuyahoga Petroleum Group, VanCaspel collected, in addition to the usual 8% commission, an extra 2% to cover the costs of performing due diligence. The plaintiffs are making much of her taking that extra 2% and then allegedly misrepresenting the risks of the offerings.

Beginning in the 1970s VanCaspel sold millions of dollars in public and private real estate deals sponsored by Angeles Corp. Big producers often receive more than the typical 8% in commissions.

So it's a reasonable assumption that VanCaspel received 10% from the folks at Angeles. She also got VIP status at Angeles sales junkets, where she sometimes had a limousine at her disposal. Her clients in Angeles partnerships didn't fare as well. On one partnership that's way under water, involving a Canadian real estate deal, singer Diana Ross got roped in. When asked about Ross, VanCaspel declined comment.

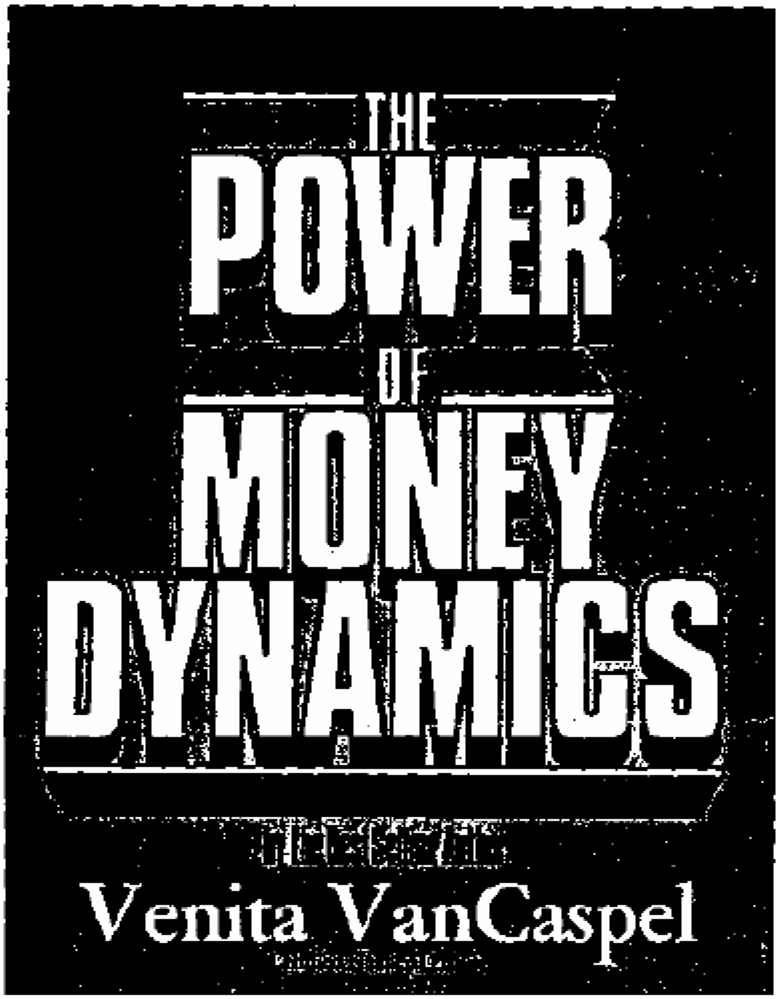
The most serious allegation against VanCaspel is that she sold real estate partnerships to investors without disclosing that she held a personal interest in the deals. In one such case, VanCaspel owned a share of the land that the partnership Wood-way IE Office Building, Ltd. subsequently invested in. In 1984, four years after making their initial investment in the property, investors uncovered this detail and sued the general partners and VanCaspel. The decline in Houston real estate —— values has made partnership units worthless.

VanCaspel says she is as much a victim of the Woodway debacle as her clients are. She argues: "It was absolutely not a matter of my not fully disclosing, and it was not overpriced property. My lawyer, when he drew up the papers, omitted something."

You can argue, of course, that plenty of smart people were trapped in the collapse of oil prices and the subsequent bust in Texas real estate. Nor was VanCaspel the only one who didn't realize that Congress would make changes in the tax laws that would wreck many tax shelters. Granting all this, the question remains: Why were VanCaspel's clients in so many dicey deals? Doesn't the kind of financial planning she supposedly dispenses imply caution and wide diversification? Nowadays VanCaspel sells her wares somewhat more quietly from the Houston office of regional brokerage Raymond James &. Associates; she stopped operating through VanCaspel & Co. three years ago.

Advertisements for her seminars appear less frequently in the local papers than they once did. But VanCaspel hasn't stopped pushing partnerships. She sells oil and gas partnerships, low-income housing real estate deals, equipment leasing partnerships and Jones Intercable. This, in spite of the fact that, with the exception of low-income housing, recent tax code changes have severely limited the tax benefits of such investments to individuals.

There's a broader moral in this tale that goes beyond the merits of tax shelters. That is that you should be very wary of financial planners who are compensated by taking sales commissions on the products they recommend. Far better to pay a flat or hourly fee to the planner and get disinterested advice.



One ofVanCaspel's many advice books

"I've helped a lot of widows and orphans.'

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